

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3942-01  
Bill No.: HJR 42  
Subject: Constitutional Amendments, Property, Real and Personal, State Tax  
Commission, Taxation and Revenue - General, Taxation and Revenue - Property  
Type: #Corrected  
Date: April 2, 2002  
# to correct Oversight assumption.

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
#Blind Pension	\$0	(Unknown)	(Unknown)
General Revenue	(\$34,710)	\$0	\$0
<b>#Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$34,710)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
#Political subdivisions	0	(Unknown)	(Unknown)
<b>#Local Government</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials with the **Office of the Secretary of State** assume statewide newspaper publication of constitutional amendments cost approximately \$1,157 per column inch based on estimates provided by the Missouri Press Service x 3 for multiple printings as required by the Constitution and state statute = \$3,471 per column inch. Estimated total number of inches for this amendment would be 10 inches, which includes title header and certification paragraph. \$3,471 x 10 inches = \$34,710.

Officials with the **State Tax Commission** assume the Commission would be compelled to publish rules and establish guidelines on caps in assessed valuation and would have to provide staffing to insure compliance with the proposed legislative changes. However, the commission is unable to determine what the increase in personal income would be in relation to increase in property tax levies of property.

**Oversight** assumes the cost of establishing and publishing guidelines on caps in assessed valuation would be nominal and could be absorbed with existing resources. If additional unforeseen costs are incurred, those costs could be addressed through the appropriation process.

Officials with the **Office of State Courts Administrator** assume no fiscal impact to the courts from this proposal.

Officials with the **Department of Revenue** assume this legislation would submit to the voters an amendment repealing section 4(b) of article X of the constitution and prohibiting any increase in the assessed value of real property of more than the percentage of change in Missouri personal income.

The Department of Revenue assumes this proposal would have no direct fiscal impact on their organization.

**#Oversight** notes the following related to potential tax revenue losses from this proposal:

#According to the State Tax Commission's annual report, \$3,922,378,000 in property taxes were levied for 2000, and 44% of property tax paid is on residential real estate. Oversight assumes an average increase in assessed valuation for residential property of 11% per 2-year cycle of reassessment, an inflation rate of 3.5%, and 70% of residential property is owner occupied. Further, according to a report from the Sate Auditor's Office, \$392,011,000 in taxes were levied for debt service purposes. These debt service taxes would not be subject to this proposal since they are voter-approved at a rate sufficient to pay for interest and principal on the related debt.

ASSUMPTION (continued)

#Total property tax paid in 2000	\$	3,922,378,000
#Less debt service levies	\$	392,011,000
#Operating tax levies	\$	3,530,367,000
Percent residential		X .44
#Residential tax for operating levies	\$	1,553,361,000

**#Oversight** assumes it is not possible to estimate the magnitude of tax losses to political subdivisions. Actual tax collections for any individual political subdivision would be subject to overall changes in total assessed valuation, and to the effects of other statutory revenue restraints. The effects of the other revenue restraints would vary from subdivision to subdivision. If increases are limited to the change in the personal income of Missouri, then the effect of this limitation would be mostly offset by changes in the net effect of the other statutory revenue restraints. Reducing the increase in assessed valuation on residential property would in turn reduce the tax rate rollback required, primarily shifting this tax burden to other taxpayers. Oversight assumes that losses to political subdivisions from this provision, as compared to current law would be expected to exceed \$100,000 per year.

There would also be losses to the Blind Pension fund of a little more than ½ of 1% of the losses to political subdivisions.

**Oversight** assumes the estimated FY2003 losses would not be incurred since the election would be held after 2002 taxes, collected in FY 2003, were processed by political subdivisions.

In response to a similar proposal, **Department of Elementary and Secondary Education** officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

**Oversight** assumes the size of this tax limitation proposal would not significantly impact school tax collections and would not necessitate any adjustment to the Foundation Formula.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

**GENERAL REVENUE**

Cost - Secretary of State

SS:LR:OD (12/01)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Advertising	<u>(\$34,710)</u>	<u>\$0</u>	<u>\$0</u>

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$34,710)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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**BLIND PENSION FUND**

<u>#Cost</u> - reduced tax collections	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>#BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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**POLITICAL SUBDIVISIONS**

<u>#Loss</u> - reduced tax collections	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>#ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would prohibit any increase in the assessed value of real property of more than the percentage of change in Missouri personal income for the second previous calendar year.

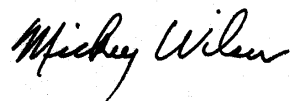
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Secretary of State  
Department of Revenue  
State Tax Commission  
Office of State Courts Administrator

NOT RESPONDING

Office of the Attorney General

A handwritten signature in black ink, appearing to read "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" written in a larger, more prominent script than the last name "Wilson".

Mickey Wilson, CPA  
Acting Director  
April 2, 2002